

PENSIONS COMMITTEE 21ST MARCH 2025

PUBLIC QUESTION TIME

1. Question from Dr. Jamie Russell

Since 2019, the Shropshire County Pension Fund has been repeatedly asked to divest from fossil fuel companies by residents and pension fund members. In 2022 this committee voted to stay invested in fossil fuels, arguing that continued engagement with companies like BP and Shell would better serve the fund's carbon-reduction goals.

Three years on from the vote, it is clear that this was a tragic missed opportunity.

2024 was the hottest year on record and the first calendar year in which annual average temperatures were higher than 1.5C above pre-industrial levels. Shropshire Council's own net zero 2030 pledge has now been pushed back to 2050; and the fossil fuel companies that the fund invests in – including BP and Shell – have turned their backs on renewables in favour of pursuing new oil and gas ignoring the advice from scientists, the United Nations, and the International Energy Agency.

Meanwhile, we have seen rising, record-breaking climate-related deaths and suffering across the globe over the last year, from mudslides in Brazil, to hurricanes and wildfires in the US, and the devastating flooding in Valencia, Spain. No wonder a study in The Lancet found that young people are suffering from high levels of climate and anxiety due to the 'inadequate government response and associated feelings of betrayal'.

Will the Conservative members of this committee, all of whom voted against divesting back in 2022, apologise to Shropshire residents and pension fund members for their failure to safeguard us and our children?

Response:

On behalf of the Fund, LGPS Central consistently engages with companies invested in our Fund. LGPS Central and the Fund firmly believe that mitigating climate change risk is a key factor in protecting the long-term value of investments. Equally, as fossil fuel companies have access to the capital (e.g. expertise and technology) required to meet decarbonisation challenges, it is important to collaborate with those companies to utilise their ability to accelerate the transition.

We prioritise engagement over divestment because we recognise investors' influence in driving change in their portfolio companies. Many examples of companies enhancing disclosures, setting targets, and changing strategies following shareholder consultation exist. Comparing the ESG performance of public and private companies further demonstrates the effectiveness of this approach.

Moreover, divesting from these assets is unlikely to meaningfully shift the goal of achieving a 1.5C temperature increase and companies might be held by investors which purely care about short-term economic returns, disregarding the long-term impact of climate risks. Divesting from these companies would, therefore, act against our interests in accelerating the transition towards a low-carbon economy.

While we are concerned about Shell and BP's recent scaling back of climate targets, we continue to recognise these companies' capacity to contribute to the energy transition. Beyond their unchanged commitment to achieve net zero by 2050, both companies

remain at the leading edge of their peer groups from a transition perspective and are significant contributors to technologies that will be critical in a post-transition world. We are actively engaging with both companies as we believe they remain ahead of their peers in their net zero approaches.

For example, as of LGPS Central's last assessment, Shell's carbon intensity was 56% lower than the sector average, while BP's was 72% lower. Since 2019, Shell and BP have also both reduced their absolute emissions (scope 1&2) by 22% and 41%, respectively.

It should also be noted that while the Fund has exposure to both these companies through our passive index-tracking portfolios (which are an essential part of risk reduction through diversification), exposure to Shell for instance remains underweighted in the Fund's active portfolios. This demonstrates the extent of ESG integration by the Fund's external managers when selecting stocks. It is also worth highlighting that the carbon footprint of the Fund's active equity and fixed income portfolios are significantly lower than their corresponding benchmarks, representing the more expansive investable universe.

Progress towards net zero will not be linear, but the Fund has made significant progress towards decarbonising its portfolio. Its most recent climate report showed that the Fund's absolute emissions have decreased by 34%, while its emissions intensity has decreased by 63% since 2020. This progress and the ongoing engagement strategy demonstrate the Fund's robust commitment to fulfilling its fiduciary duty while effectively managing climate risk.

2. Question from Mrs Kris Welch

Israel's assault on the Gaza Strip has killed many tens of thousands of Palestinians, almost half of them children. In January 2024 the International Court of Justice (ICJ), the world court, handed down an interim ruling affirming there is plausible evidence Israel is committing genocidal acts in the Gaza Strip.

Last July, the ICJ issued a further advisory opinion ruling that Israel's military occupation of the Gaza Strip and West Bank is unlawful, and that Israel is in breach of the international prohibition of the crime of apartheid. The court affirmed that all states are under an obligation not to render aid or assistance to this unlawful situation.

As signatory of the Genocide Convention, the UK must employ all means reasonably available to prevent and deter further genocidal acts.

As a result of this obligation, councils like Shropshire must avoid procuring from or investing the funds they manage, including Local Government Pension Scheme (LGPS) funds, in companies that facilitate Israel's breaches of international law.

This includes: companies producing weapons and military technology used by Israel in its attacks on Palestinians; financial institutions providing investment and loans to these arms companies; and companies conducting business activity in Israel's illegal settlements on stolen Palestinian land in the occupied West Bank.

According to [analysis](#) by the Palestinian Solidarity Campaign, the Shropshire County Pension Fund has £142,458,890 in 'complicit investments'. This includes companies like Barclays, Boeing, BAE Systems, Palantir, and Thales.

Please can you explain to Shropshire residents how this is acceptable?

Response:

Protecting human rights is a fundamental aspect of our responsible investment approach.

We expect all our managers and portfolio companies to operate according to best practices. The Fund regularly scrutinises its portfolios from a Responsible Investment perspective, which includes an expectation that all investee companies comply with the United Nations Guiding Principles (UNGPs) on Human Rights. LGPS Central, for instance, is one of the few investment institutions with a public stance on their voting approach on the UNGPs.

The Fund does expect all companies operating in fragile states to undertake heightened due diligence in the form of a human rights risk assessment. LGPS Central has engaged with managers and investee companies in this situation to ensure that the appropriate standards are being followed. Examples of this can be found in the Quarterly Stewardship Reports and Annual Stewardship Report which are published on LGPS Central's website. These examples include an engagement with an IT company regarding its human rights' due diligence within the Occupied Palestinian Territories.

Whilst we believe humanitarian crises pose challenges to investors, credible responsible investment frameworks should apply. We maintain that investors can play a positive role by remaining invested in those companies. Peacebuilding relies upon international actors remaining invested, ensuring humanitarian assistance laws are upheld, and ensuring that economic opportunities are available once a ceasefire is reached. Through active ownership, investors can play an important role in encouraging these objectives.

LGPS Central's unwavering commitment to responsible investment and robust RI frameworks were recognised by the latest PRI assessment, in which it was independently assessed as performing much better than its peers.

3. Question from Mr Paul Cooper

As a person of faith I am careful about what I buy and where my money goes.

I am distressed to learn that my SCPF pension is partly invested in companies operating in Gaza, and therefore complicit in the well-documented and appalling genocide there. I don't want my pension to be invested in this way, and I strongly suspect that I am not alone in this.

Will the SCPF take the ethical action of divesting from the companies involved?

Response:

The Fund's approach to responsible investing is rooted in the belief that active engagement, rather than divestment is generally the best way to manage ESG risk, fulfil our fiduciary duty, and help drive progress towards better outcomes for all stakeholders, as well as the systemic protection of long-term shareholder value.

From a human rights perspective, we expect all investee companies to comply with the United Nations Guiding Principles on Human Rights (UNGPs). UNGPs prescribe heightened human rights due diligence processes to identify, address, and mitigate human rights and conflict, including companies operating in conflict zones.

This expectation is communicated in the LGPS Central Voting Principles, which are available on its website. As a UK-based investor, we look to the UK government for guidance on its policy and approach to international conflict. We do not consider that divesting from companies operating in the region would contribute to the establishment of peace and stability.

However, we work with organisations such as the Local Authority Pension Fund Forum (LAPFF), which actively engages companies in human rights risks from operating in conflict zones such as the Occupied Palestine Territories (OPT). Our stewardship provider, EOS at Federated Hermes, has been engaging with several companies operating in the OPT. Built on the UNGPs, EOS' engagements concentrate on:

- The financial impacts of the conflict on the company's business
- Monitoring direct employees in the affected region and the actions taken to ensure their safety
- Due diligence relating to the human rights impacts of the company's operations
- Encouraging the sharing of any actions the company has taken to understand the feasibility of engagement on actual human rights harms
- Influencing the cessation of human rights harms
- Understanding no-go areas for business activities linked to the expansion of Israeli settlements in the West Bank

LGPS Central is also engaging directly with a telecommunications company operating in the OPT. During this engagement, LGPS Central asked the company to disclose information on how human rights issues are managed and provide disclosure on its corporate human rights policy and human rights impact assessments.

Peacebuilding relies on international actors remaining invested, upholding humanitarian assistance laws, and making economic opportunities readily available once a ceasefire is reached. Through active ownership and stewardship, investors can play an important role in encouraging and facilitating these objectives.

4. **Question from Ms Joanna Blackman**

The Institute and Faculty of Actuaries recently published their fourth report in collaboration with climate scientists, titled: '**Planetary Solvency – finding our balance with nature**'.

The report's summary risk outlook states:

"Increasingly severe climate and nature driven impacts are highly likely, including fires, floods, heat and droughts. This is a national security issue as food, water and heat stresses will impact populations. If unchecked then **mass mortality**, involuntary mass migration events and severe GDP contraction are likely."

The summary report goes on to state:

"It will be overwhelmingly positive economically to avoid Planetary Insolvency. An urgent policy response is required as our current market led approach to mitigating climate and nature risks is not delivering."

Are committee members aware of this report? Will the Committee conduct an urgent review of its risk assessments and investment policy in the light of this highly relevant report from a reputable body?

Sources:

The full report is available here: <https://actuaries.org.uk/document-library/thought-leadership/thought-leadership-campaigns/climate-papers/planetary-solvency-finding-our-balance-with-nature/>

One-page summary: <https://actuaries.org.uk/document-library/thought-leadership/thought-leadership-campaigns/climate-papers/planetary-solvency-risks-and-recommendations/>

IFoA press release: <https://actuaries.org.uk/news-and-media-releases/news-articles/2025/jan/16-jan-25-planetary-solvency-finding-our-balance-with-nature/>

Response:

The Fund is acutely aware of the systemic risks associated with a changing climate, and the impacts that this will have on nature, society, and our investments.

In order to mitigate the risk, the Fund receives an annual climate risk report which details the Fund's approach to, and management of, climate risks. In 2024, the Fund received the fifth iteration of this report which provided an overview of the Fund's progress towards its decarbonisation targets, as well as a detailed analysis of the climate strategies of some of the largest emitters within its portfolio.

In accordance with the cited report, the Fund also recognises the close relationship between the state of nature and the climate. While data in this field is more nascent, the Fund recently received its first draft Sustainable Investment Monitoring Service (SIMS) Report, which, amongst other metrics, includes some analysis of the Fund's impact on nature and the finalised version of the report will be taken to a future committee meeting.

These reports allow the Fund to better understand its relationship to climate impacts, and ensure that these considerations are factored into the investment process. The Fund also receives regular training from LGPS Central on a range of ESG topics, including climate change and natural capital, which allows it to make more informed decisions regarding its investment approach.

The Fund also recognises the need for effective government policy to facilitate the transition away from a carbon-dependent economy, and will continue to update its own monitoring and analysis as the political context and best practice continues to evolve.

The Fund accepts the findings of the reporting and would welcome further government action globally on climate change. However, we consider that divesting from fossil fuel companies and high emitting sectors will not serve to protect the fund from financial risk nor will it help to accelerate the transition to a lower carbon economy and the achievement of Net Zero objectives set out in the Paris agreement.